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SUBJECT: EGYPT DELAYS SALE OF SECOND TRANCHE OF TELECOM EGYPT

¶1. (U) Summary: The Government of Egypt's planned sale of 20% of Telecom Egypt, the country's sole fixed-line provider, has been put off indefinitely. Citing unfavorable market conditions and worries

over the global economic crisis, the Ministry announced that it was scuttling the offering originally planned for 2009. In the past nine months, Telecom Egypt's shares have dropped 38% on the Cairo Stock Exchange. End Summary.

¶2. (U) Minister of Communications and Information Technology Tarek Kamel announced December 22 that the plan to offer a second tranche of Telecom Egypt shares in the stock market has been delayed. In the first tranche, Telecom Egypt sold 20% of its shares to the public in ¶2005. The Ministry had been planning to offer a second tranche in ¶2009. Kamel said that any future decision to move ahead with the sale depends on the circumstances of the economic environment and the ongoing global financial crisis.

¶3. (U) Telecom Egypt is Egypt's sole fixed-line operator, with 11.3 million subscribers as of September 2008. In the first three quarters of 2008, Telecom Egypt had net earnings of LE 2.2 billion (US\$ 400m) up 28.5 percent from fiscal 2007. In addition to fixed telephone lines, Telecom Egypt has 340,000 broadband subscribers for its ADSL internet services.

¶4. (U) In its initial offering in 2005, Telecom Egypt sold 20 percent of its shares at LE 20.33 (US\$3.60) per share, netting the GOE LE 5.132b (US\$930.3m). Telecom Egypt's share price peaked in March 2008 at LE 22.95 (US\$4.17) per share, but has since fallen 38 percent to LE 14.17 (US\$2.58). Despite this decline, shares of Telecom Egypt have far outperformed the benchmark CASE 30 index of Egyptian stocks which is off by nearly 60% year to date.

¶5. (U) The Government of Egypt currently owns 80 percent of Telecom Egypt, with twenty percent held by the public. Egyptian law requires the government to own a majority of Telecom Egypt's shares.

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